

SENATE BILL REPORT

SB 5735

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, January 26, 2012

Title: An act relating to encouraging economic development by removing the expiration date from the research and development spending business and occupation tax credit.

Brief Description: Encouraging economic development by removing the expiration date from the research and development spending business and occupation tax credit.

Sponsors: Senators Chase, Kastama, Kilmer and McAuliffe.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/14/11, 2/16/11, 2/17/11 [DP]; 1/23/12, 1/26/12 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Ericksen, Hatfield, Holmquist Newbry, Kilmer, Shin and Zarelli.

Staff: Jack Brummel (786-7428)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the cost of doing business. Revenues are deposited in the state General Fund.

A credit is allowed against the B&O tax for operational research and development (R&D) expenditures in high-technology businesses that exceed 0.92 percent of gross income. A person claiming the high technology R&D credit may calculate the credit based on 1.5 percent of the qualified expenditures. This credit expires on January 1, 2015.

Summary of Bill: The expiration date for the R&D tax credit is removed.

Appropriation: None.

Fiscal Note: Available.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Companies are looking for a sense of continuity in the investment environment. This can incentivize more innovation. This funds growth and helps firms keep employment when times are tough. This helps small, medium and large businesses. We want to be the premier state for R&D companies.

Persons Testifying: PRO: Senator Chase, prime sponsor; Lew McMurrin, WA Technology Industry Assn.; Patti McKinnell Davis, WA Biotechnology & Biomedical Assn.; Jerry Smedes, NW Environmental Business Council; Amber Carter, Assn. of WA Businesses.